

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 NSC-05

TRSE-00 SS-15 STR-05 OMB-01 CEA-01 L-03 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 PRS-01 SEC-01 /085 W

-----013165 090718Z /10

R 090440Z NOV 77

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 1066

INFO AMCONSUL HONG KONG

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HONG KONG FOR TREASURY REP

EO 11652: NA

TAGS: EFIN TH

SUBJECT: REVENUE CODE AMENDED BY DECREE

REF: BANGKOK A-232

1. THE RULING MILITARY GROUP ON NOVEMBER 8 PROMULGATED A NUMBER OF CHANGES IN THE REVENUE CODE COUPLED WITH AN 11-WEEK MORATORIUM DESIGNED TO ENCOURAGE TAX EVADERS TO CLEAR UP PAST TAXES.

2. AMONG THE CHANGES IN THE TAX CODE IS THE IMPOSITION OF A 10 PERCENT TAX ON INCOME FROM INTEREST ON BANK DEPOSITS. EXEMPTION OF SUCH INTEREST FROM TAXATION WAS ORIGINALLY PUT THROUGH SOME 15 YEARS AGO IN ORDER TO ENCOURAGE THE GROWTH OF THE PRIVATE BANKING SYSTEM. EVEN AFTER THE BANKS NO LONGER NEEDED SUCH SPECIAL TREATMENT, THERE WAS STRONG RESISTANCE TO PREVIOUS ATTEMPTS TO TAX INTEREST INCOME.

3. ANOTHER PROVISION OF THE DECREE IMPOSED A CAPITAL

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GAIN STATUS ON SECURITY TRANSACTIONS AT A FLAT RATE OF 10 PERCENT. SECURITIES HELD OVER SIX MONTHS WILL STILL BE EXEMPT FROM TAXATION. IN A MOVE TO ENCOURAGE THE LISTING OF SHARES ON THE SECURITY EXCHANGE OF THAILAND, DIFFERENTIAL RATES WERE SET FOR CORPORATE INCOME TAX--35 PERCENT FOR NON-LISTED COMPANIES AND 30 PERCENT FOR LISTED COMPANIES. DIFFERENTIAL RATES ON DIVIDEND INCOME FROM LISTED AND NON-LISTED COMPANIES WERE ALSO

ESTABLISHED.

4. AMONG OTHER PROVISIONS WAS ONE ESTABLISHING PROCEDURES FOR ASSIGNING AN IDENTIFICATION NUMBER TO ALL TAXPAYERS FOR COMPUTERIZATION PURPOSES.

5. A COMPANION DECREE SETS A MORATORIUM UNTIL JANUARY 31 FOR PAYMENT OF PAST TAXES WITHOUT CRIMINAL PENALTY FOR PRIOR TAX EVASION AND WITH A SHARPLY REDUCED PENALTY CHARGE. BESIDES OFFERING THIS CARROT, THE DECREE THREATENS USE OF A STICK AGAINST FUTURE TAX EVADERS PROCLAIMING THAT EVASION WILL BE DEALT WITH DRASTICALLY AFTER JANUARY 31.

6. COMMENT: AS THE SUMMARY OF THE TAX CHANGES INDICATES, THE DECREE IS HARDLY "REVOLUTIONARY" BUT IS A DESIRABLE STEP TOWARDS TAX REFORM AND IMPROVED REVENUE COLLECTION. THE DECREE WAS DRAFTED IN THE FINANCE MINISTRY. THE TAX PACKAGE BASICALLY CONTAINS MEASURES PUT FORWARD BY THE MINISTRY BEFORE BUT NEVER ENACTED BY EITHER THE ELECTED OR APPOINTED LEGISLATURES IN RECENT YEARS. THE MINISTRY DID CONVINCE KEY MEMBERS OF THE RULING MILITARY GROUP OF THE DESIRABILITY AND THE NECESSITY FOR SOME MOVEMENT ON TAXES. RATHER THAN FACE ADDITIONAL LEGISLATIVE ROAD BLOCKS, EVEN IN AN APPOINTED LEGISLATURE, THE RULING GROUP DECIDED TO ENACT THE TAX MEASURES BY DECREE. REPAIR DISCUSSED LACK OF ACTION LIMITED OFFICIAL USE

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ON REFORMING TAX SYSTEM AND MENTIONED ADVERSE EFFECTS OF CONTINUED REVENUE SHORTFALLS. EMBASSY VIEWS THE TAX DECREE AS A POSITIVE STEP.
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Message Attributes

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Sent Date: 09-Nov-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
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Disposition Date: 22 May 2009
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Disposition Remarks:
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